

REPORT SUMMARY

Montana Department of Transportation

This report documents the results of our financial-compliance audit of the Montana Department of Transportation (department) for the two fiscal years ended June 30, 2007. We issued an unqualified opinion on the financial schedules presented in this report. This means the reader may rely on the presented financial information and the supporting information on the state's accounting system.

This report contains fourteen recommendations directed to the department. The recommendations concern compliance with state and federal requirements regarding excess annual leave and exempt compensatory time, program income, timely federal reimbursements, diversion of highway revenue, distributions, Equipment Internal Service Fund, infrastructure asset transactions, tribal motor fuels administration account, railroad rights-of-way and loans, Scenic-Historic Byways Advisory Council, and farewell signs. There is a disclosure issue regarding union pension discrepancies. Of the twelve recommendations from the prior audit, we found the department fully implemented nine recommendations, partially implemented two recommendations, and did not implement one recommendation.

The listing below serves as a means of summarizing the recommendations contained in the report, the department's response thereto, and a reference to the supporting comments.

Recommendation #1

We recommend the department establish procedures to ensure all excess annual leave is used by employees or forfeited in accordance with state law.6

Department response: Partially Concur B-4

Recommendation #2

We recommend the department establish procedures to ensure all excess exempt compensatory time is used by employees or forfeited in accordance with state policy.7

Department response: Partially Concur B-4

Recommendation #3

We recommend the department establish procedures to demonstrate compliance with federal program income requirements.....8

Department response: Partially Concur B-4

Recommendation #4

We recommend the department:

- A. Work with the Department of Administration to negotiate Cash Management Improvement Act agreements that will minimize the use of state funds to finance federal program costs prior to the receipt of federal funds and maximize investment earnings.

- B. Establish procedures and management controls to ensure cash drawdowns for contractor payments and payroll disbursements are made in accordance with the Cash Management Improvement Act agreements and, therefore, applicable federal cash management requirements. 10

Department response: Concur B-5

Recommendation #5

We recommend the department:

- A. Repay the \$300,000 advance from the restricted highway revenue account to the aeronautics administration account. 11
- B. Record advances only after obtaining Department of Administration approval, as required by state law. 11

Department response: Partially Concur B-5

Recommendation #6

We recommend the department:

- A. Deposit proceeds from disposal of department personal property in the General Fund or the highway account of the State Special Revenue Fund in accordance with state law. 12
- B. Move the \$40,001 in proceeds from the 2006 airplane sale to the General Fund or the highway account of the State Special Revenue Fund in accordance with state law. .. 12

Department response: Partially Concur B-6

Recommendation #7

We recommend the department:

- A. Distribute aviation fuel tax revenue and refunds in accordance with state law. 14
- B. Move balances in the pavement preservation account to the grant account. 14
- C. If necessary, seek clarification of state law regarding the disposition of aviation fuel tax revenues for scheduled passenger air carriers. 14

Department response: Partially Concur B-6

Recommendation #8

We recommend the department record the fund transfers required in the state special revenue nonrestricted account and the senior citizens and persons with disabilities transportation services account in accordance with state law. 15

Department response: Concur B-6

Recommendation #9

We recommend the department revise its rate-setting methodology to establish fees commensurate with costs in the Equipment Internal Service Fund, in accordance with state law and federal requirements. 16

Department response: Partially Concur B-7

Recommendation #10

We recommend the department establish controls to ensure the accuracy of infrastructure asset balances and related activity on the state's accounting system. 18

Department response: Concur B-7

Recommendation #11

We recommend the department charge costs of administering the motor fuels tax under tribal agreements to the tribal motor fuel administration account in accordance with state law. 19

Department response: Concur B-7

Recommendation #12

We recommend the department comply with state law concerning its duties to research the feasibility of acquiring abandoned railroad rights-of-way and easements and establish procedures for providing railroad and intermodal transportation facility loans. 20

Department response: Concur B-8

Recommendation #13

We recommend the department comply with state law concerning the Scenic-Historic Byways Advisory Council. 20

Department response: Concur B-8

Recommendation #14

We recommend the department design, erect, and maintain farewell signs at Montana border locations as required by law. 21

Department response: Concur B-8